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Subject: Comments for the 2019–2024 Draft Proposed National Oil and Gas Leasing Program  
and Notice of Intent to Prepare a Programmatic Environmental Impact Statement

Docket ID: BOEM-2017-0074

The American Petroleum Institute (“API”), National Ocean Industries Association (“NOIA”), Independent Petroleum Association of America (“IPAA”), U.S. Oil and Gas Association (“USOGA”), American Exploration & Production Council (“AXPC”), International Association of Geophysical Contractors (“IAGC”), Petroleum Equipment and Services

Association (“PESA”), International Association of Drilling Contractors (“IADC”), Offshore Operators Committee (“OOC”), and the Alaska Oil and Gas Association (“AOGA”) (“the Associations”) offer the following comments on the Bureau of Ocean Energy Management’s (“BOEM”) request for comments on the 2019–2024 Draft Proposed National Oil and Gas Leasing Program (“DPP”) and Notice of Intent to Prepare a Programmatic Environmental Impact Statement that were published in the Federal Register on January 8, 2018. The Associations’ members have significant interest in ensuring that there are future opportunities for offshore oil and natural gas exploration and development in the United States (“U.S.”) so that the nation can capitalize on industry expertise that has been garnered through years of successful and beneficial exploration, development and production of domestic Outer Continental Shelf (“OCS”) oil and natural gas resources. We fully support keeping the DPP as is with no areas being removed from future leasing consideration. The decisions made regarding what areas are available for leasing will have long-term implications for our nation’s energy security, prospects for job creation, and government revenue generation.

The U.S. has undergone an energy renaissance in recent years that has put millions of Americans to work, generated billions of dollars in revenue for Federal and State governments, and put downward pressure on prices for consumers. Growing U.S. production has dramatically increased our ability to adjust to energy supply and demand shocks, but our long-term energy security can only be ensured with a lasting commitment to expanding offshore oil and natural gas development to new areas as provided for in the DPP. However, to continue this resurgence and ensure long-term economic and national security, all of the 25 areas proposed for leasing should be included in the Proposed Program.

The Gulf of Mexico has been the backbone of U.S. energy production for years, providing more than one million barrels of oil per day for the last twenty years. However, our industry has primarily been producing oil and natural gas in the Western and Central Gulf of Mexico Planning Areas for decades, with little opportunity to explore elsewhere. By including all of the areas for proposed leasing, the U.S. will create an opportunity for our nation and the industry to move forward with exploratory activity using state-of-the-art technology to further define offshore geologic features and to assess the associated potential oil and natural resources that may be available to fuel our economy for decades to come. We must keep in mind that the National Oil and Gas Leasing Program is simply that – a plan that provides the nation with the potential opportunities to explore for resources, determine our resource base, and potentially produce the oil and natural gas that are so important to our nation’s economy. In order to provide our country with the energy that it needs for the long term, we need the ability to explore for resources in new areas, given the long-term demand for oil and natural gas in the U.S. and global economies. The Administration continues to promote the need for U.S. energy dominance. Whether it is energy dominance or continued efforts to drive forward our energy security, we cannot advance that objective without expanding access to our federal offshore resources.

In a January 24, 2018 opinion of the Washington Post’s Editorial Board, they clearly described the need and support for expanded access to U.S. offshore oil and natural gas resources:

*“We have long supported opening more U.S. waters to offshore drilling. As long as the economy requires oil, it must come from somewhere, and better the United States than a country with much weaker environmental oversight. It is arrogant of Americans to benefit from the interconnected global oil market yet insist that their shores remain closed.”*

The pursuit of economic and national security interests necessarily depends upon a national long-term energy policy that relies upon U.S. oil and natural gas exploration and production to meet our energy needs. The Outer Continental Shelf Lands Act<sup>1</sup> (“OCSLA”) provides clear direction for the nation to achieve this objective through expanded opportunities for U.S. offshore leasing, and the economics of the global energy market show that the absence of expanded leasing opportunities could drive investment and hence production to other parts of the world and hinder efforts to achieve energy dominance and energy security.

## **I. The Associations**

API is a national trade association representing over 640 member companies involved in all aspects of the oil and natural gas industry. API’s members include producers, refiners, suppliers, pipeline operators, marine transporters, and service and supply companies that support all segments of the industry. API and its members are dedicated to meeting environmental requirements, while economically and safely developing and supplying energy resources for consumers. API is a longstanding supporter of offshore exploration and development and the process laid out in the OCSLA as a means of balancing and rationalizing responsible oil and gas activities and the associated energy security and economic benefits with the protection of the environment.

NOIA is the only national trade association representing all segments of the offshore industry with an interest in the exploration and production of both traditional and renewable energy resources on the U.S. OCS. The NOIA membership comprises roughly 250 companies engaged in a variety of business activities, including production, drilling, engineering, marine and air transport, offshore construction, equipment manufacture and supply, telecommunications, finance and insurance, and renewable energy.

IPAA is a national trade association representing the thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that support their efforts. Independent producers drill about 95 percent of American oil and natural gas wells, produce more than 50 percent of American oil, and more than 85 percent of American natural gas. IPAA is dedicated to ensuring a strong, viable domestic oil and natural gas industry, recognizing that an adequate and secure supply of energy developed in an environmentally responsible manner is essential to the national economy.

USOGA is a strong advocate for the petroleum industry and its contribution to our country’s economic and strategic stability.

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<sup>1</sup> Outer Continental Shelf Lands Act of 1953, as amended, 43 U.S.C. § 1331, *et seq.*

AXPC is a national trade association representing 34 of America's largest and most active independent oil and natural gas exploration and production companies. AXPC members are "independent" in that their operations are limited to exploration for and production of oil and natural gas. Moreover, AXPC members operate autonomously, unlike their fully integrated counterparts, which operate in additional segments of the energy business, such as downstream refining and marketing. AXPC members are leaders in developing and applying innovative and advanced technologies necessary to explore for and produce oil and natural gas, both offshore and onshore, from unconventional sources.

IAGC is the international trade association representing the industry that provides geophysical services (geophysical data acquisition, processing and interpretation, geophysical information ownership and licensing, associated services and product providers) to the oil and natural gas industry. IAGC member companies play an integral role in the successful exploration and development of offshore hydrocarbon resources through the acquisition and processing of geophysical data.

PESA represents approximately 200 companies that provide the services, technology, equipment and expertise necessary to safely and efficiently explore and produce oil and natural gas. PESA member companies are committed to building a stronger oilfield service sector, advancing safety and environmental stewardship, and ensuring that society has access to the energy needed for continued economic progress.

IADC is an international trade association comprised of approximately 2,000 member companies representing the worldwide drilling industry. Since 1940, IADC has exclusively represented the worldwide oil and gas drilling industry. IADC's membership includes all drilling contractors operating on the U.S. OCS.

The OOC is an offshore oil and natural gas trade association that serves as a technical advocate for companies operating in the Gulf of Mexico (GOM). Founded in 1948, the OOC has evolved into the principal technical representative regarding regulation of offshore oil and natural gas exploration, development, and producing operations. The OOC's member companies are responsible for approximately 90% of the oil and natural gas production from the GOM.

AOGA is a non-profit trade association located in Anchorage, Alaska. AOGA's 15 member companies account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in Alaska. AOGA's members are the principal oil and gas industry stakeholders that operate within the range of marine mammals in Alaskan waters and in the adjacent waters of the OCS. AOGA and its members are longstanding supporters of wildlife conservation, management, and research in the Arctic, and also support the continued issuance of incidental take authorizations in the Arctic. AOGA has for many years successfully petitioned for, and defended in court, incidental take regulations applicable to offshore oil and gas activities.

## **II. General Comments**

### **A. Offshore Development is an Integral Part of U.S. Energy Policy**

The recently issued Executive Order 13795, America-First Offshore Energy Strategy<sup>2</sup>, and Secretarial Order 3350<sup>3</sup> which implements this strategy, fully recognize the importance of offshore oil and natural gas development. With the issuance of the DPP and development of a new Five-Year Offshore Leasing Program, it is clear that the Administration is addressing the statutory intent of the OCSLA that “the outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs.”<sup>4</sup>

Given expected global economic and population growth, energy efficiency improvements and alternative energy sources alone will not be sufficient to meet anticipated U.S. and global energy demand. The U.S. Energy Information Administration forecasts U.S. energy demand to increase five percent by 2040, with more than half of that demand expected to be met by oil and natural gas<sup>5</sup>. Realizing this, a true all-of-the-above U.S. energy policy that includes a robust offshore oil and natural gas leasing component will be needed to meet future U.S. and global energy demand and to offset the inevitable declines associated with existing U.S. oil and natural gas production.

For the foreseeable future, this increased demand will primarily continue to be met by domestic production. The U.S. has become the world’s largest producer of oil and natural gas. This energy renaissance has put millions of Americans to work, generated billions of dollars in revenue for Federal and State governments, and put downward pressure on prices for consumers. Growing U.S. production has dramatically increased our resistance to energy market shocks, but our long-term energy security can only be strengthened with a lasting commitment to expanding offshore oil and natural gas development. In 2016, offshore oil and natural gas production accounted for approximately 18.2% and 4.4% of U.S. production respectively<sup>6</sup>. This production is a crucial component in helping to ensure a dominant U.S. oil and natural gas industry in the future. Therefore a downward trend of OCS production in the coming years could offset the national economic benefits recently realized from increased domestic production. A continued “Western and Central Gulf of Mexico Only” approach is therefore harmful.

From a purely economic standpoint, increased supply can help put downward pressure on prices. This is a key topic of the International Energy Agency (IEA) in its recent report “Oil 2017: Analysis and Forecasts to 2022.”<sup>7</sup> IEA notes that “Global oil and gas upstream investment fell by 25% in 2015 and by another 26% in 2016.” IEA points out that this drop in investment comes despite an expected strong global oil demand growth through at least 2022. IEA suggests that the “need for more production capacity becomes apparent by the end of [this] decade, even if supply appears plentiful today.” IEA’s ultimate conclusion is that “more investment is needed

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<sup>2</sup> <https://www.federalregister.gov/documents/2017/05/03/2017-09087/implementing-an-america-first-offshore-energy-strategy>

<sup>3</sup> <https://www.doi.gov/pressreleases/secretary-zinke-signs-orders-implementing-america-first-offshore-energy-strategy>

<sup>4</sup> 43 U.S.C. § 1332(3).

<sup>5</sup> <https://www.eia.gov/outlooks/aeo/>

<sup>6</sup> Oil - [https://www.eia.gov/dnav/pet/pet\\_crd\\_crpdn\\_adc\\_mbbldp\\_a.htm](https://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldp_a.htm); Natural Gas - [https://www.eia.gov/dnav/ng/ng\\_prod\\_sum\\_a\\_EPG0\\_VGM\\_mmcfc\\_a.htm](https://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_VGM_mmcfc_a.htm)

<sup>7</sup> <https://www.iea.org/Textbase/npsum/oil2017MRSsum.pdf>

in oil production capacity to avoid the risk of a sharp increase in oil prices toward the end of our outlook period.” The U.S., through a proactive long-term energy policy, can help address concerns about long-term supply issues by expanding opportunities for the exploration and production of oil and natural gas resources in the U.S. OCS.

The DPP takes the strong step toward recognizing the importance of creating opportunities to address future oil and natural gas supplies, maintaining a robust U.S. oil and natural gas industry and thereby increasing the energy security that comes with it. Increased domestic production in recent years has served to buffer the U.S. from the shocks to our economy from higher oil prices caused by rising world demand for oil and tensions in the Middle East and other regions. With the time needed to develop offshore oil and gas stretching 10 to 15 years from the time of a lease sale, especially in frontier areas, we need to maintain our activity in existing areas of operation and expand access to unexplored and undeveloped OCS areas that have been off limits for decades. Resources from these new and existing areas are needed to replace the onshore and offshore oil and natural gas reserves that are depleted through production. In light of the long lead times to production, now is the time to make new areas available. The DPP recognizes this by proposing to make 25 of the 26 OCS planning areas available for future leasing.

While offshore oil and natural gas production currently accounts for approximately 20% of U.S. energy production and is a crucial component of an all-of-the-above energy policy, recent studies have shown that the U.S. OCS could play an even greater role in increasing domestic production, creating jobs and driving other economic benefits. In recent studies<sup>8</sup>, Calash and Northern Economics concluded that:

- Development in the Atlantic OCS could support over 260,000 new jobs along the East Coast and across the country, contribute up to \$21.7 billion per year to our nation’s economy and add 1.5 million barrels of oil equivalent per day to U.S. production.
- Development in the Eastern Gulf of Mexico OCS could support over 170,000 new jobs along the Gulf Coast and across the country, contribute up to \$14 billion per year to our nation’s economy, and add 1 million barrels of oil equivalent per day to U.S. production.
- Development in the Pacific OCS could support over 300,000 new jobs along the Pacific Coast and across the country, contribute up to \$25 billion per year to our nation’s economy, and add 1.5 million barrels of oil equivalent per day to U.S. production.
- Development in the Alaska OCS could support about 13,500 jobs per year in Alaska and across the country, generate \$53.4 billion total cumulative spending by the industry over 20 years, and produce over 3 billion barrels of oil in the 20 years after leasing begins.

In total, it is estimated that within 20 years after first lease sales, increased opportunities to lease and develop these OCS areas could:

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<sup>8</sup> <http://www.api.org/news-policy-and-issues/exploration-and-production/new-economic-studies-on-offshore-energy-development>

- Support over 740,000 new jobs along coasts and across the country.
- Add over 4 million barrels of oil equivalent per day to domestic energy production.
- Generate nearly \$198 billion in cumulative revenue for the government.
- Lead to over \$588 billion in new private sector spending.
- Contribute more than \$60 billion per year to the U.S. economy.

The Associations support expanding OCS revenue sharing to states outside the Gulf of Mexico. It is only fair that all states that support offshore development off their coasts benefit from offshore leasing, development and production as is the case onshore. The Associations, like state and U.S. senators and representatives, governors, and many other elected officials from coastal states, fully support measures aimed at preserving the revenue sharing framework set forth in the Gulf of Mexico Energy Security Act and extending that framework to other coastal states that support OCS exploration and development.

## **B. Statutory Intent of the Outer Continental Shelf Lands Act Supports Expanded Leasing Opportunities**

The OCSLA directs the Department of the Interior to expedite leasing opportunities in the U.S. OCS. The spirit and intent of the law demonstrate a framework for the Department to provide leasing opportunities throughout the 26 planning areas of the U.S. OCS. Recent programs have been contrary to the spirit and intent of the statute, with the government effectively limiting exploration and production to the Western Gulf of Mexico, Central Gulf of Mexico, a sliver in the Eastern Gulf of Mexico, and Cook Inlet. Leasing in the Beaufort and Chukchi Seas has occurred in the recent past, but a lack of certainty and predictability in the permitting and regulatory processes constructively limited the opportunities for the industry to engage in exploration in those areas, with only one well drilled and no production. By proposing and moving forward with a broad program that considers and provides opportunities for expansive, additional leasing in the Eastern Gulf of Mexico, the Atlantic, the Pacific and Alaska, the DPP adheres to the spirit and intent of the OCSLA, which allows the market to drive investment, thereby creating significant economic and national security benefits for the nation.

### **1. The Outer Continental Shelf is a vital national resource which should be made available for expeditious and orderly development**

As discussed above, under the OCSLA, “the outer Continental Shelf is a vital national resource held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner that is consistent with the maintenance of competition and other national needs.” This policy clearly supports a leasing program that is broad in scope and includes leasing in the various OCS planning areas.

First, the OCS is held by the federal government for the public. The public necessarily includes all citizens of the country, who today rely upon affordable supplies of oil and natural gas to meet their energy needs and will continue to rely upon affordable supplies of oil and natural gas for decades to come. The U.S. public is very supportive of domestic oil and natural gas production to meet the country’s needs and understands that the alternative would mean

shifting our reliance to other parts of the world, and quite possibly to foreign regimes with geopolitical interests that are hostile to our national security interests. A November 2016 Harris poll<sup>9</sup> of actual voters found that 80 percent of respondents expressed support for increased production of oil and natural gas resources located in the U.S., with 57 percent strongly supporting increased production. Likewise, 85 percent agreed that increased access to domestic oil and natural gas resources could help strengthen America's energy security (with 60 percent strongly agreeing), and 74 percent agreed that increased access to domestic oil and natural gas resources could help America become more of an energy power in the world and enable us to assist our allies in Europe and elsewhere who need energy resources. We are near record high production of oil in the U.S., with production in November 2017 exceeding 10 million barrels of oil per day, but the U.S. is still importing more than 7 million barrels of oil a day. The public prefers production of oil and natural gas from the U.S. over production from other regions of the world. The OCLSA recognizes the importance of U.S. production, as clearly supported by the spirit and intent of the law, and the preference must be for a robust U.S. offshore leasing program.

Second, the OCS should be made available for expeditious and orderly development in an environmentally responsible manner. This statement is directed to the entirety of the U.S. OCS and not to simply two, four or six planning areas. As the DPP cost-benefit analysis unequivocally reveals, “[e]xpeditious and orderly development” of every planning area analyzed would yield tremendous economic, energy, and environmental benefits to the nation. Expeditious and orderly development is a positive, active statement that should be construed as directing the federal government to follow a process of actively, and without delay, exploring for and producing the oil and natural gas resources throughout all of our OCS regions and not limiting options to primarily two areas, which is where we stand today. Further, this statement directly supports the development of a new program from the period of 2019-2024 as has been provided in the DPP, correcting the deficiencies from the current 2017-2022 program.

## **2. Consistent with the statute, there is a strong system of regulations, equipment, safety systems and operational practices for robust safety and environmental safeguards**

The policy objective for expeditious development also states that development is to be subject to environmental safeguards. In addition, it is the national policy that:

*“...operations in the outer Continental Shelf should be conducted in a safe manner by well-trained personnel using technology, precautions, and techniques sufficient to prevent or minimize the likelihood of blowouts, loss of well control, fires, spillage, physical obstruction to other users of the waters or subsoil and seabed, or other occurrences which may cause damage to the environment or to property, or endanger life or health.”<sup>10</sup>*

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<sup>9</sup> <http://www.api.org/~media/Files/Oil-and-Natural-Gas/Survey/What-America-Is-Thinking-2016-Election-Night-Actual-Voters.pdf>

<sup>10</sup> 43 U.S.C. § 1332(6).



There are extensive environmental safeguards in place in the form of regulations and regulatory oversight of safety and spill prevention equipment, systems, programs, operational practices, and a highly trained and skilled workforce. The overall system of regulations, regulatory oversight, equipment, programs, best practices, and trained staff ensures that operations are conducted consistent with the policy objective described above. The following discussion provides a detailed, fact-based overview of the safety and environmental safeguards that are in place and that have been extensively revised and enhanced on many occasions throughout the history of the OCS program. It is a process of continuous improvement that never stops.

America's offshore oil and natural gas industry is characterized by the continued advancement of technology and systems integrity, the application of extensive industry technical standards, continuous training and a robust regulatory regime. The industry continues to develop its people and improve upon technologies designed to help ensure that an environmental incident never occurs. This includes everything from the materials used in offshore operations, the development of software and control systems to manage operations, the development, production and deployment of modern drillships and production facilities to bring energy to market, and the design and manufacturer of blowout prevention equipment systems, subsea safety valves and other equipment.

Furthermore, the continued development and improvement of industry standards serves to promote reliability and safety in offshore operations through the use of proven engineering practices. The API publishes industry technical standards under a process accredited by the American National Standards Institute (ANSI), which is the standards authority here in the United States and accredits similar programs at several national laboratories. As part of API's accredited process, API standards are reviewed on a regular basis to ensure they remain current. As such, API standards are developed in an open and transparent process which includes subject matter experts from academia, government and industry and they are the most widely cited oil industry standards by federal, state and international regulators. API has more than 200 exploration and production standards that address offshore operations, covering everything from subsea safety valves to comprehensive guidelines for offshore safety programs, and more than 100 such documents have been incorporated into federal regulations. From the government's standpoint, oil and gas operators on the OCS are subject to a large number of regulatory requirements, and this includes more than two dozen statutory authorities and more than 80 Code of Federal Regulation parts implemented pursuant to those statutes. In addition, more than two dozen significant approvals and permits are applicable to OCS operations.

In the immediate aftermath of the 2010 Gulf spill, the U.S. oil and natural gas industry launched a comprehensive review of offshore safety to identify potential improvements in spill prevention, intervention and response capabilities. Four joint industry task forces were created to focus on critical safety areas of offshore operations, including equipment, procedures, well control and containment, and spill preparedness and response<sup>11</sup>. The task forces were not involved in the review of the actual 2010 Gulf spill. Rather, they brought together industry experts to focus on the areas of concern raised in the aftermath of the spill and identify best

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<sup>11</sup> <http://www.api.org/oil-and-natural-gas/wells-to-consumer/exploration-and-production/offshore/api-joint-industry-task-force-reports>

practices in offshore drilling operations and oil spill response, with the definitive objective of enhancing safety and environmental protection. These task forces have issued various reports that include recommendations for improving industry standards, best practices and overall operations in the areas of prevention, containment and response. From the outset, the task forces worked closely with government regulators and all sectors of the offshore oil and gas industry. The recommendations of the task forces have been heavily relied upon to enhance industry standards and best practices and to improve the government's regulatory framework.

A groundbreaking achievement of the industry was the creation of the Center for Offshore Safety ("COS") in 2011, which has played a central role in both advancing a culture of safety in offshore operations and providing important interface with government regulators for advancing offshore safety programs. The COS is an independent industry-led organization with the mission of promoting continuous safety improvement for offshore drilling, completions and operations through effective leadership, communication, teamwork, disciplined management systems and independent third-party auditing and certification. The COS draws on expertise and input from the U.S. oil and natural gas offshore industry and the regulatory community.

Through the COS, industry members are committed to improving performance of their Safety and Environmental Management Systems ("SEMS") by subscribing to the following principles: (1) Industry leaders will demonstrate a visible commitment to safety; (2) Operators, contractors and suppliers will work together to create a culture of safety; (3) Decision making at all levels will not compromise safety. Safety processes, equipment, training and technology will undergo continuous examination and improvement; and (4) Members will share learnings and apply industry standards, good practices and promote continual improvement.

The foundation of the COS is based on *API RP 75, API Recommended Practice for Development of a Safety and Environmental Management (SEMS) Program for Offshore Operations and Facilities*. API RP 75 was developed and refined in consultation with Federal regulators and was incorporated into Federal regulations by the Bureau of Safety and Environmental Enforcement (BSEE), an agency within the Department of the Interior. API RP 75 directs companies to view their operations through a systems-based approach to safety. API RP 75 outlines the various key elements for inclusion in an effective SEMS program, such as the completion of a thorough hazards analysis and the implementation of effective management of change procedures. Completion of a hazards analysis helps to ensure that risks are identified, prevented and mitigated. Management of change procedures assure that operators reexamine the hazards analysis prior to changes in operations actually occurring to help make sure that no new risks are being introduced into operations.

The COS has also created a process for accrediting independent third parties to provide audits of individual company SEMS. Members of the COS are required to undergo SEMS audits, and since June 2015, BSEE has now implemented a regulatory requirement for all offshore operators – whether they are members of the COS or not - to complete SEMS audits by accredited, independent third parties, also known as audit service providers or "ASPs". Additionally, BSEE has incorporated by reference into its SEMS regulations various guidance documents that have been published by the COS to ensure the qualifications and competencies of

audit teams that review the SEMS programs of offshore operators, building in a further layer of quality assurance.

The COS has proactively developed other documents to provide guidance to the industry for enhancing safety, including *Skills and Knowledge Management System Guideline*, which provides tools and techniques with a common process for the verification of contractor skills and knowledge, and *Leadership Site Engagement*, which is valuable guidance for senior managers and leaders to demonstrate visible safety and environmental commitment during visits to offshore operating sites. The COS also collects, analyzes, publishes and shares safety performance data so that the industry can meet the objective of continuous improvement in operations by sharing data and learning from incidents. The COS is truly the focal point for offshore safety and its programs are effectively advancing a culture of safety in U.S. offshore operations and providing an important bridge between industry and the regulator.

Over the past eight years, the industry has actively developed and revised various industry standards to enhance offshore safety and spill prevention capabilities: The focus of the industry efforts being to improve the overall system of safety and to address those key areas of concern that were raised by the 2010 Gulf spill. Another key to the overall system of safety is the barrier philosophy, within which redundant layers of protection are put into place to effectively ensure that oil and gas are contained. This philosophy is reflected in both the standards developed by the industry and in the regulations promulgated by the government. In December 2010, consistent with the recommendations made by the joint industry task forces, API released *Standard 65-2, Isolating Potential Flow Zones During Well Construction (2nd Edition)*. This document contains best practices for zone isolation in wells to prevent annular pressure or flow past containment barriers that are installed and verified during well construction. This document has been incorporated by reference into BSEE's regulations for offshore operations. In November 2012, API released *Standard 53, Blowout Prevention Equipment Systems for Drilling Wells (4th Edition)*, which provides the requirements on the installation, maintenance, testing and inspection of blowout prevention equipment. As stated in the introduction of this document, the "objective of this standard and the recommendations within is to assist the oil and natural gas industry in promoting personnel safety, public safety, integrity of the drilling equipment, and preservation of the environment for land and marine drilling operations." BSEE incorporated this document by reference into its regulations in April 2016. In March 2013, API published Recommended Practice (RP) 96, *Deepwater Well Design and Construction (1st Edition)*, which provides the operation considerations to safety design and construct deepwater wells with maximum reliability and includes a barrier philosophy to ensure that redundancies are in place to effectively prevent an incident. Chapter 5 of this document "describes how physical barriers and operational barriers contribute to well system reliability with respect to well control. It describes the principles, processes, and procedures for planning and implementing barriers. In this RP, barriers are defined as components or practices that contribute to the total system reliability to prevent or stop formation fluid or gas flow." Various other prevention-related standards have also been developed or revised by API, including documents related to quality management systems, safely operating in high-temperature/high-pressure environments, structural integrity management, specifications for subsurface safety valve equipment and others. API provides the public with free online access to nearly 200 key

industry standards that have been incorporated by reference by the government at <http://publications.api.org>.

Furthermore, the government, through BSEE and its predecessor agencies, has made significant changes to the regulatory requirements applicable to offshore oil and natural gas operations. In addition to the requirements for SEMS as discussed above, BSEE published a final drilling safety rule on August 22, 2012 (this rule had been previously issued as an interim rule on October 15, 2010 by the predecessor agency, the Bureau of Ocean Energy Management, Regulation and Enforcement). The BSEE regulations strengthened requirements for well design and integrity, and blowout preventer and control systems. Under the new drilling safety provisions, BSEE requires, among other things, identification of the mechanical barriers and cementing practices that will be used, and for wells that use subsea blowout prevention equipment, the inclusion of two independent barriers, including one mechanical barrier, for each annular flow path. There are also extensive requirements for the maintenance, testing and inspection of blowout prevention equipment. BSEE has promulgated additional well control regulations and is expected to revise those requirements. BSEE has also issued several notices to lessees, or NTLs, over the past eight years that describe the compliance obligations for offshore operators. Furthermore, the U.S. Coast Guard, which has regulatory authority for workplace safety on marine vessels utilized in offshore oil and natural gas operations and shares responsibility for offshore facility safety with BSEE, has also demonstrated a strong commitment to advancing safety in offshore operations.

Another significant achievement of the offshore oil and natural gas industry is the creation of well intervention and containment consortiums that were founded in 2010 to provide containment technology and response capabilities for the unique challenges of capping a well that is releasing oil thousands of feet below the water's surface. These companies, the Marine Well Containment Company ("MWCC") and the HWCG, LLC ("HWCG") maintain quickly deployable systems that are designed to stem any uncontrolled flow of hydrocarbons from a subsea well and facilitate the training of their member companies on the installation and operation of these systems. BSEE requires companies operating on the OCS to demonstrate access to equipment and staff resources in order to deploy such systems to cap a well or capture uncontrolled hydrocarbons, and companies are able to demonstrate compliance with this requirement through a contract with MWCC or HWCG. The industry has enhanced its ability to respond to a potential offshore environmental incident through improved oil spill response planning, and the increased availability of spill response tools such as dispersants, in-situ burning capabilities, mechanical recovery, and shoreline protection. The industry has also conducted extensive projects and research related to oil spill prevention and response. These materials are available at <http://www.oilspillprevention.org>. Through its comprehensive oil spill research program and operation of the Ohmsett oil spill response test facility, BSEE has also demonstrated a commitment to the continuous improvement of oil spill response capabilities.

The Associations support the DPP's analysis of the technical and environmental consideration used to reach its decisions. BOEM notes the great strides in technological innovation and environmental protection that industry and government have made over decades of worldwide offshore oil and natural gas development:

*“Additionally, regulatory changes, improvements in industry practices, and enhanced Bureau of Safety and Environmental Enforcement (BSEE) inspection capabilities have made OCS exploration and development safer and more environmentally sound. Companies can explore for, and develop, previously inaccessible resources. In addition, higher-quality geological and geophysical (G&G) data, achieved through state-of-the-art technology, acquisition methods, and processing, aid in identification of prospects and effective well placement, improving the probability of successful drilling operations. Advanced composite materials and materials engineering have improved OCS structures and moorings to better withstand the operating environment. These and other technologies developed for oil and gas operations have contributed to U.S. leadership in the worldwide energy industry. The importance of the United States as an offshore oil and gas technology leader was recognized in comments received in response to the RFI (see Appendix A). These technological advances support the country’s economic growth and help meet global energy needs.” (DPP 1-9)*

BOEM also states in the DPP:

*“Although there is always the potential for accidents resulting in an oil spill and/or gas release, industry, USCG, BSEE, and BOEM require numerous safeguards for OCS drilling, development, and production operations, which have increased in the post-Deepwater Horizon era. These industry practices and government rules, resulting from several recommendations from multiple investigations, have improved protocols to increase safety measures.*

*Furthermore, requirements place a greater emphasis on operational training and preparation. The Safety and Environmental Management System is a performance-based program designed to help drive the safety and environmental performance of OCS oil and gas operators and contractors beyond attaining full compliance with BSEE regulations. Risk management is the foundation upon which BOEM and BSEE regulate and enforce standards. The risk management strategies employed by BOEM, BSEE, USCG, USDOT Pipeline and Hazardous Materials Safety Administration, and industry serve as an integral component of a safety culture designed to integrate technological and human elements. This integration is necessary to ensure safe and environmentally sound OCS operations. Both risk management and BOEM and BSEE regulatory oversight greatly reduce the potential for accidental spills.” (DPP 7-37)*

Finally, BOEM notes in the DPP:

*“A catastrophic spill is not expected, and would be considered well outside the normal range of probability, despite the inherent risks of oil exploration, development, or production-related activities expected from the 2019–2024 Program.” (DPP 7-34, 35)*

There has been no regulatory rollback in offshore safety. As discussed above, numerous changes have been made to enhance the regulatory framework. The Well Control Rule<sup>12</sup> and the

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<sup>12</sup> 81 Fed. Reg. 25,887 (Apr. 29, 2016).

Production Safety Systems Rule<sup>13</sup> are going through revisions that are expected to enhance those regulations – not roll them back. In fact, the proposed amendments to Production Safety Systems rule would in many respects improve the regulatory framework to incorporate technical corrections necessary to address current and revised standards and operating practices. It is also important to point out that, irrespective of the outcome of these revisions, extensive regulations will remain in place for well control equipment and processes and for production safety systems. Finally, until any potential revisions to these rules are finalized, it is premature to make an assessment of the outcome of these rulemakings.

The Associations support the conclusion of the DPP's analysis that risks can be prevented and mitigated based on decades of experience. The demonstrative changes that have occurred to the safety regime have made offshore oil and gas exploration and development safer and industry has the ability to operate in a manner that is more protective of people and the environment than ever before.

### **3. Expansion of leasing to new areas is fully consistent with and supported by the OCSLA**

Taken in concert with the stated policy of the OCSLA to make the OCS available for expeditious development, the expansion of leasing opportunities to regions outside of the Western and Central Gulf of Mexico, the Gulf of Mexico Energy Security Act of 2006 portion of the Eastern Gulf, and Cook Inlet is fully consistent with and supported by the balancing of the eight factors delineated by the OCSLA in Section 18(a)(2).

In addition, the Associations would also like to note that current lack of existing infrastructure in an area, especially in the area of oil spill response, is not a factor identified in OCSLA as a consideration when making a lease sale scheduling decision. To place any emphasis in the decision-making process on the lack of current oil and natural gas or spill response infrastructure is misguided. If and when industry is ready to commence a drilling program, industry will comply with applicable laws and regulations and work with the respective states, which include having effective spill response infrastructure in place. The Associations encourage BOEM not to consider infrastructure associated with drilling or production activities in their lease-sale considerations.

- **Section 18(a)(2)(A) – Existing information concerning the geographical, geological, and ecological characteristics of such regions.** BOEM currently projects there to be significant, potential discoverable resources in areas for expanded OCS access. Specifically, BOEM estimates that there are 3.63 billion barrels of oil and 11.49 trillion cubic feet (“Tcf”) of natural gas in the Eastern Gulf of Mexico; 2.82 billion barrels of oil and 26.41 Tcf of natural gas in the Mid and South Atlantic; 10.2 billion barrels of oil and 16.1 Tcf of natural gas in the Pacific; and 23.6 billion barrels of oil and 104.41 Tcf of natural gas in the Beaufort and Chukchi Seas. These are only projections, and it is important to recognize that the resource estimates have historically climbed over time as the industry has the opportunity to engage in exploration and production activities. All four of these regions – the Gulf of Mexico,

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<sup>13</sup> 81 Fed. Reg. 61,833 (Sept. 7, 2016).

the Atlantic, the Pacific and the Arctic – have experienced successful oil and natural gas exploration and production activities. The geographical, geological and ecological characteristics of these regions support the inclusion of these areas in a final leasing program, so that the industry can move forward with long-term opportunities for conducting seismic research, exploratory drilling and production operations.

- **Section 18(a)(2)(B) – An equitable sharing of developmental benefits and environmental risks among the various regions.** This factor specifically directs the government to distribute offshore leasing opportunities throughout the OCS planning areas. For years the government has been developing and finalizing its OCS leasing programs contrary to statute by not ensuring an equitable sharing of the developmental benefits and environmental risks. With 26 planning areas in the OCS, the government, by limiting production to primarily the Western and Central Gulf of Mexico, is clearly implementing leasing policies that are not equitable. In order to provide equity, Interior should, at a minimum, expand leasing opportunities in those areas where there are prospective exploration opportunities based upon government assessments, geologic trends, applications for seismic research, or statements of interest by the industry. As the DPP states, the proposed expansion of leasing could advance this important factor, “...perhaps eventually leading to the development of new OCS-related industries and employment in the adjacent communities and possibly creating a more equitable sharing of benefits and risks than achieved under previous National OCS Programs.” (DPP 8-13) The DPP does not really go far enough in this description, because expansion of leasing opportunities to new areas would effectively advance the equitable sharing of benefits and risks among the regions.
- **Section 18(a)(2)(C) – The location of such regions with respect to, and the relative needs of, regional and national energy markets.** The DPP accurately describes the importance of OCS oil and natural gas production as it relates to both regional and national markets. At the regional level, the DPP states, “[a]lthough domestic energy markets have undergone major changes in recent years with an abundance of onshore production and low oil prices, the OCS remains a vital source of stable energy production. Regionally, OCS production contributes to local energy markets.” (DPP 6-16) From a national perspective, “[n]ew production from the OCS would help meet the United States’ continued energy demand and maintain a diversity of supply. Diversity of supply mitigates the effects of import disruptions and cushions the consequences of other disruptive forces.” (DPP 6-7)
- **Section 18(a)(2)(D) – The location of such regions with respect to other uses of the sea and seabed, including fisheries, navigation, existing or proposed sealanes, potential sites of deepwater ports, and other anticipated uses of the resources an space of the outer Continental Shelf.** Through decades of activity in the Gulf of Mexico, industry has proven that its operations can coexist with other uses and users of the ocean. As subsequent BOEM decisions on areas to include in the Proposed Program, the Proposed Final Program and the Final Program are made, these

decisions should not be based on an “either/or” proposition. The oil and gas industry’s experience in the Gulf of Mexico with other industries present in Gulf Coast states offers ample evidence that oil and natural gas development and other ocean industries can co-exist and thrive. In fact, in many respects, the U.S. oil and natural gas industry helps support local economies and other uses in offshore regions and will continue to do so in new regions if access is expanded.

The U.S. oil and natural gas industry has proven that it can play an important, and significant, role in boosting local amenity economies like tourism. In a 2013 study, researchers, Ryan M. Yonk, Ph.D, Southern Utah University, and Randy T. Simmons, Ph.D., Utah State University completed a report entitled “The Role of Oil and Gas and Amenities in County Economic Development.” The researchers explored how counties balance energy extraction and development of amenities on their lands. The term amenities refers to a variety of types of activities that “may contribute to and/or may derive from the natural attractiveness and value of a given area,” and is commonly used to refer to “activities discussed in [the] report, ‘such as, clean beaches, hunting and fishing opportunities, forest to hike in, the view of green farmlands, and clean rivers for recreating in (Crandall, 2008).’”

The Yonk and Simmons report found striking benefits for counties that have both oil and gas development and amenities on their lands. The study found:

- Counties tend to develop both energy and amenity resources when possible.
- In cases in which a county focuses exclusively on energy extraction or amenity development, it is usually because of constraints beyond the control of that county (e.g., lack of natural resources or land-use policy that prohibits energy exploration) and not because the county considers exclusivity the best option.
- Throughout the western United States, energy extraction and amenities both play integral roles in economic growth for county development.
- Energy extraction can directly advance the development of amenities.
- The energy and amenity sectors can both be cyclical, although they tend to follow different cycles.
- High value amenity development and high value energy development can increase property values, raise the cost of living, and result in inter-county migration.
- Energy extraction operations offer higher-paying jobs, while hospitality and recreation operations employ greater numbers of people. A county’s well-being depends on having both high-paying jobs and a large number of jobs.

While the study focused on onshore areas, the same benefits are true for offshore areas and these benefits have been witnessed in the Gulf Coast states. Offshore oil and gas development has brought high-paying jobs to the Gulf Coast and this helps to boost the local economy by bringing in a separate and diverse strong wage and tax base. The Calash studies referenced earlier in these comments demonstrate the true breadth of the positive economic impact on the Gulf Coast



region, and the potential positive impacts that could accrue to other regions. The Gulf Coast is recognized for its tourism and fishing industries and the oil and natural gas sector plays an important role in balancing and boosting the local Gulf Coast economies. This is certainly a dynamic that can be replicated in other, new coastal areas.

From a Gulf Coast perspective, the states that have been actively supporting federal offshore oil and natural gas production – Texas, Louisiana, Mississippi and Alabama – all enjoy vibrant tourism economies at very large scales. The Gulf Coast as a whole, inclusive of Florida, sees increasing numbers of visitors each year. According to OceanEconomics.org<sup>14</sup>, the Gulf Coast’s tourism and recreation industries saw growth in employment by 19.8 percent, wages by 47.8 percent and GDP by 37.4 percent from 2005 to 2014. According to this database, in 2014, Alabama had more than 16,000 people employed in tourism and recreation along the Gulf Coast, Louisiana had more than 50,000, Mississippi more than 13,000, and Texas more than 47,000. The data also show that tourism and recreation contributed more than \$500 million annual GDP in Alabama in 2014, more than \$2 billion in Louisiana, more than \$400 million in Mississippi, and more than \$1.7 billion in Texas. These industries thrive in the Gulf Coast states at the same time that our nation is enjoying near record high oil production in the Gulf of Mexico.

Recent experience shows that local tourism industries continue to see strong performance. AL.com and the Alabama Media Group reported that, “For the sixth year in a row, Alabama set a new record in annual tourism expenditures for 2016, and for the number of visitors coming to the state.” The report added “For the past 14 years, from 2003 to 2016, tourism expenditures in Alabama have increased a whopping 96 percent, according to data from the Alabama Tourism Department.<sup>15</sup>” Much of the tourism activity is linked to five specific counties with spending tilted toward the coast. The five counties are Baldwin, Jefferson, Madison, Mobile and Montgomery. “They account for 68 percent of the total number of visitors. Baldwin County, home to Alabama’s sugar-white sand beaches, leads in the way - by far - in tourism activity. The 6.3 million visitors to Baldwin County represented a 3.3 percent bounce from 2015, and is nearly one-fourth of all the tourists who visit Alabama each year.” This same report highlighted the gains along the Mississippi coast as well where “that state’s three Gulf Coast counties attracted 6.2 million visitors last year, up 8 percent over 2015. The Mississippi Gulf Coast, punctuated with the casino industry, recorded an 8 percent increase in non-casino revenues in 2016, according to Visit Mississippi Gulf Coast.” As provided by the data from Ocean Economics, all Gulf Coast states have seen strong expansions in their tourism economies since 2005. It is clear that, not only do the offshore oil and natural gas industry and the local tourism industry successfully coexist; these industries thrive together in support of the broader Gulf Coast economy.

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<sup>14</sup> <http://www.oceaneconomics.org/>

<sup>15</sup> [http://www.al.com/news/mobile/index.ssf/2017/05/alabamas\\_tourism\\_fueled\\_by\\_bea.html](http://www.al.com/news/mobile/index.ssf/2017/05/alabamas_tourism_fueled_by_bea.html)

Furthermore, studies have shown that lower gasoline prices help to infuse tourism localities with additional business, based upon the correlation between gasoline prices and hotel lodging. The Cornell University School of Hotel Administration published a report in 2004 entitled “The Impact of Gasoline Price Fluctuations on Lodging Demand for US Brand Hotels.”<sup>16</sup> The report concluded that “lodging demand decreases as gasoline prices rise in all segments except upper-upscale and all locations except urban areas. Hotels in midscale without food and beverage and economy market segments, in resort, suburban and highway locations, exhibit the greatest association between gasoline price shifts and demand.” Through this study, the authors confirmed “the assertion that there is a statistically significant inverse relationship between gasoline prices changes and lodging demand. As gasoline prices increase, the cost of travel increases, and purchasing power falls, which in turn, impacts the demand for lodging.”

Fundamentals of economics show that additional supplies typically put downward pressure on gasoline prices. We obviously must look at our oil and natural gas supply situation with a long-term view, and we must implement policies that help ensure that we have stable, affordable supplies for decades to come. Therefore, it is critical that we develop and finalize a broad leasing program that includes significant opportunities for expanded exploration, development and production in our OCS. Otherwise, coastal economies that rely upon affordable supplies of gasoline to drive tourism to their states and shores could be vulnerable to global, adverse impacts in the event of potential, future supply shocks – shocks that could be alleviated through access to offshore oil supplies here in the U.S.

This successful coexistence between the offshore energy industry and the coastal tourism industry can and should be replicated in other areas by following through with a leasing programs that keeps options on the table for the leasing of acreage in new areas, including the Eastern Gulf, Mid and South Atlantic, and Beaufort and Chukchi Sea areas. Moreover, expanded leasing can also serve to boost localities that are in sore need of an economic infusion. Take for example the case of St. John’s, Newfoundland and Labrador, Canada. E&E reported in a November 7, 2013 article that “Offshore drilling brings downtrodden seaport back from near-extinction.”<sup>17</sup> According to E&E, “The city and province have both experienced something equivalent to being revived from a coma after Exxon Mobil Corp. started oil production at its massive Hibernia offshore platform, currently the world’s largest.” The economic revival is compelling:

*“Today St. John’s is among the fastest-growing cities in North America, with a projected economic growth rate this year of 5 percent – the highest in Canada – according to an analysis by the Conference Board of Canada, an economic research group based in Ottawa. “For Lease” signs on empty storefront windows have given way to Infiniti and BMW luxury car*

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<sup>16</sup> <https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1582&context=articles>

<sup>17</sup> <https://www.eenews.net/stories/1059990110/print>

*dealerships, upscale furniture stores, and new hotels as the city's most visible economic indicators.*

*Jane McIntyre, a Newfoundland native and economist at the Conference Board of Canada, said the economic transformation that has occurred here in a relatively short time has been dramatic. All of it is thanks to the offshore energy sector, she said, including projects such as Hibernia and the constant exploration that's happening in the waters off the island's east coast."*

Many towns in U.S. coastal areas that have not had the benefit of offshore oil and natural gas development should be given a similar opportunity to help resurrect their economies. But this can only happen through the finalization of a robust expansive program that includes significant additional acreage. The proposal as set forth in the DPP would certainly achieve this objective.

From a fishing perspective, the oil and natural gas industry has not only successfully coexisted with coastal recreational and commercial fishing industries, we have played a constructive role in creating and fostering important marine ecosystems as our platforms evolve into offshore reefs. After decades of studying marine ecosystems on oil platforms, research suggests that these structures evolve into economically and ecologically valuable ecosystems. The platforms effectively act as manmade reefs, providing additional homes and shelter for a complex marine ecosystem, subsequently boosting the local fishing environment. Government scientists have estimated that the average platform offers the equivalent of two to three acres of prime additional marine habitat. Not only do the platforms offer additional habitat acreage for the local marine life, it has been found to be better acreage. An article published in the Proceedings of the National Academy of Sciences in 2014<sup>18</sup> concluded that platforms from oil and gas production in California are some of the most productive marine fish habitats in the world. The article noted that, "High rates of fish production...are achieved because the platform jacket and oil and gas conductors create a complex structure that provides a large surface area of hard substrate through the water column." Therefore, not only do the platforms create additional habitats for marine life, they create better habitats that lead to a denser marine life population that is robust for local fishing.

Local fishermen fully recognize the substantial increase in marine life located near these offshore structures. According to an article published by the American Oil & Gas Historical Society, seventy-five percent of recreational fishing trips offshore Louisiana stop by at least one or more rigs per outing. The structures' design and size can account for fish densities equal to 20 to 50 times greater than in open water, and each platform can support more than ten thousand fish on average. For areas of the OCS that are overfished, these additional marine habitats can be crucial to restore and maintain the local marine life. Additionally, much of the Gulf of Mexico is flat and comprised of mud and sand, with minimal rock bottom supporting reef habitats. It is clear that the marine wildlife, and therefore the local fishing communities can benefit

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<sup>18</sup> <http://www.pnas.org/content/111/43/15462>

from the safe and responsible development of the federal OCS. Therefore analysis of the National OCS Oil and Gas Leasing program must include the significantly positive byproducts of increased local fishing and marine life.

With respect to military uses of the OCS, there is a long history of coexistence and cooperation between the Department of the Interior, Department of Defense and the offshore exploration and production industry in the Gulf of Mexico, California, and Alaska. As noted in the DPP,

*“[t]his DPP reflects the Secretary’s commitment to continue his ongoing consultation efforts and weigh the input received from all interested stakeholders and explore ways to reduce conflicts before prematurely excluding OCS areas from further consideration.”* (DPP 5) Further, the DPP goes on to state, *“DOD and USDOJ will continue to coordinate extensively under the 1983 Memorandum of Agreement, which states that the two parties shall reach mutually acceptable solutions when the requirements for mineral exploration and development and defense-related activities conflict.”* (DPP 6-26)

This perspective is consistent with the current process used by the department’s to assess any potential conflicts between military activities and oil and natural gas operations, evaluate potential ways to minimize conflicts, and establish effective mitigation measures to alleviate any concerns. The Department of Defense is currently conducting a compatibility assessment of the various OCS planning areas proposed for future leasing in the DPP. Previous assessments in 2010 and 2015 showed that the very few prospective OCS areas were off limit to oil and natural gas exploration and production operations.<sup>19</sup>

- **Section 18(a)(2)(E) – The interest of potential oil and gas producers in the development of oil and gas resources as indicated by exploration or nomination.** The industry is very interested in the development of oil and natural gas resources in all regions, and we are specifically interested in maintaining access to the Western and Central Gulf, and expanding access to the Eastern Gulf, the Mid and South Atlantic, Southern California, and the Beaufort and Chukchi Sea areas. As evidenced by industry activity in the Gulf of Mexico, leasing and development trends continue to move toward and abut against the boundary between the Central and Eastern Planning Areas. With regard to the Atlantic, in the past, our industry has been very active in exploration and drilling activities<sup>20</sup> throughout the entire Atlantic region and it is past time once again for a leasing program to include areas in the U.S. Atlantic OCS. Inclusion of Atlantic OCS leasing opportunities will help drive the necessary

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<sup>19</sup> 2010 study found that 8% of Atlantic OCS, 11% of the Eastern Gulf of Mexico Planning Area, 3% of Southern California Planning Area, and 0% of the Alaskan OCS to be not suitable for oil and natural gas activity. The 2015 study found that 5% of the Atlantic OCS that was proposed for leasing (not the entire Atlantic OCS) was not suitable for oil and natural gas activity. The Gulf of Mexico and Alaska OCS areas proposed for leasing at the time of the 2015 study found no restrictions on oil and natural gas activity were needed

<sup>20</sup> <https://www.boem.gov/Historic-Atlantic-OCS-Drilling-Activity/>

investment in seismic research, which in turn will provide the government and industry with much needed data for potential leasing decisions. The Pacific OCS has for decades provided production from wells located on platforms installed years ago. No new leasing has occurred in the Pacific for over 30 years. It is believed significant potential exists for future development of Pacific resources if given the opportunity. And from an Arctic standpoint, the estimated potential resource base continues to make the Beaufort and Chukchi Sea areas an attractive prospect for future investment. Below are some select quotes from company comments filed with BOEM in response to the Request for Information, demonstrating strong interest from the industry:

Anadarko:

*“Anadarko urges BOEM to also make new areas available, particularly the Mid- and South Atlantic and the Eastern Gulf of Mexico, to meet long-term energy needs and secure U.S. energy independence.”*

BP:

*“Having a demonstrated commitment from BOEM to allow access to leases in the region is likely to encourage more industry participation and subscription to future seismic acquisition programs. This is especially important for the launch of a successful program in the current low-oil price environment where exploration opportunities across the globe are competing for limited funding.”*

Chevron:

*“This country can no longer afford to look to only the federal waters off the coasts of Texas, Louisiana, Mississippi, and Alabama to carry the burden of providing such a large portion of the offshore segment of our nation’s energy needs. As long as our economy continues to rely on hydrocarbon related energy for our quality of life and national security, we have no choice but to broadly diversify our domestic energy sources.”*

Shell:

*“Despite the recent prolonged downturn in oil prices, OCS production reached levels of 1.6 to 1.7 million BOPD in 2016 and 2017. It is important to note that projects which may come into production now are the result of investment decisions and lease sales which took place years ago. Unfortunately, these production rates cannot continue in the absence of policies that encourage cost-effective OCS development and the opening of new areas to balance the expected declines in GOM production.”*

- **Section 18(a)(2)(F) – Laws, goals, and policies of affected States which have been specifically identified by the Governors of such States as relevant matters for the Secretary’s consideration.** The Department of the Interior is directed to consider the laws, goals and policies of affected states. Of course, the Gulf states of Texas, Louisiana, Mississippi and Alabama continue to support the development of OCS

resources, as those states have firsthand experience and understand the successful coexistence of offshore federal oil and gas activity with other uses including tourism, fishing and military activities. While other Governors have objected to OCS activity off of their coastlines and these positions will receive consideration, they are far outweighed by the statutory intent of the OCSLA and the other factors to be considered. First, the concerns raised by Governors in opposition to OCS oil and gas exploration and development fail to acknowledge the total system of safety that is now in place and discussed at length above. We must also recognize the proven success of the offshore oil and natural gas industry in working in successful coexistence with other coastal uses of the OCS, including tourism, fishing and the military. Again, there is tremendous evidence to show that the oil and gas industry not only operates compatibly with other uses, but actually boosts other industries like tourism and fishing. When it comes to the question of domestic oil and gas development, and specifically OCS resource development, there is a fundamental question before us: Should the U.S. develop its oil and natural gas resources here in the U.S., or should we rely upon other nations to provide us with our energy? As described in the above comments, we as a nation consume 18 to 20 million barrels of liquid petroleum products per day and we currently are producing 10 million barrels of oil per day here at home. The choice is whether we implement policies to produce as much oil as possible here at home, or whether we rely on the production of foreign nations and move the country toward a policy of oil imports. Furthermore, every state is a consumer of oil and natural gas resources, particularly the coastal states in the Lower 48 region of the US. If we are to adhere to a “not in my backyard” policy framework, then the end result is a move away from U.S. production and to heightened reliance on foreign nations for our energy.

The table below provides the motor vehicle fuel and natural gas consumption statistics for each state. Offshore oil and natural gas development is not an “either-or” proposition. The United States has a robust system in place to do it safely and in successful coexistence with other uses, as has been demonstrated in decades of experience. Failure to make new areas available necessarily means increased reliance on alternatives that pose equal or greater risks to the worldwide environment. All coastal states are consumers of these vital energy resources and the balance of the factors of the OCSLA dictate that offshore oil and natural gas activity be extended to additional areas, and specifically the Eastern Gulf of Mexico, the Mid and South Atlantic, southern California, and the Beaufort and Chukchi Sea Planning Areas.

**Table C2. Energy Consumption Estimates for Major Energy Sources in Physical Units, 2015**

State	Petroleum									Nuclear Electric Power	Hydro-electric Power <sup>1</sup>	Wind	Fuel Ethanol <sup>2</sup>
	Coal	Natural Gas <sup>3</sup>	Distillate Fuel Oil	Jet Fuel <sup>b</sup>	LPG <sup>c</sup>	Motor Gasoline <sup>d</sup>	Residual Fuel Oil	Other <sup>e</sup>	Total				
	Million Short Tons	Billion Cubic Feet	Million Barrels						Billion Kilowatthours				
Alabama	23.6	676.1	26.7	3.1	2.2	63.9	1.1	5.8	102.9	42.0	9.9	0.0	6.6
Alaska	1.3	336.8	13.6	18.1	0.3	6.9	0.1	4.2	43.2	0.0	1.6	0.2	0.7
Arizona	20.0	351.5	24.6	3.9	1.9	66.7	0.0	3.5	100.5	32.5	6.5	0.5	6.9
Arkansas	13.0	290.9	20.0	1.3	2.1	34.4	(e)	3.8	61.5	13.8	3.6	0.0	3.6
California	1.3	2,298.9	98.3	112.5	13.2	358.5	18.6	50.1	651.1	18.5	13.8	12.2	37.3
Colorado	17.9	468.7	19.4	9.3	4.0	53.8	0.0	5.2	91.6	0.0	1.6	7.5	5.3
Connecticut	0.4	254.1	20.0	1.5	2.9	35.2	0.4	1.7	61.9	17.4	0.3	0.0	3.7
Delaware	0.3	102.7	2.6	0.1	1.3	11.1	0.1	4.6	19.9	0.0	0.0	(e)	1.2
Dist. of Col.	(e)	32.3	0.7	0.0	(e)	2.6	0.0	0.7	4.0	0.0	0.0	0.0	0.3
Florida	19.7	1,334.3	53.0	35.0	4.3	208.7	8.9	9.1	319.0	28.1	0.2	0.0	19.2
Georgia	19.8	693.9	41.7	4.1	4.6	117.7	1.6	5.0	174.8	33.8	3.0	0.0	10.8
Hawaii	0.7	2.9	4.7	13.4	0.7	11.0	9.7	3.1	42.6	0.0	0.1	0.6	1.1
Idaho	0.2	104.7	11.9	0.8	1.2	17.8	0.0	1.7	33.3	0.0	8.8	2.3	1.8
Illinois	47.3	993.4	54.5	26.6	17.5	121.3	(e)	28.4	248.3	97.3	0.1	10.7	12.2
Indiana	45.2	718.6	42.6	8.2	4.9	74.9	0.2	18.7	149.4	0.0	0.4	4.5	7.2
Iowa	19.9	317.9	25.7	1.0	17.3	39.5	0.0	2.9	86.4	5.2	1.0	17.9	4.5
Kansas	16.0	251.0	22.5	1.6	2.9	30.0	0.2	8.4	65.7	8.6	(e)	11.0	2.9
Kentucky	35.4	268.6	27.1	10.8	9.0	51.9	(e)	16.0	114.8	0.0	3.4	0.0	5.0
Louisiana	11.0	1,550.7	36.1	31.4	180.8	55.6	4.4	133.1	441.4	15.3	1.0	0.0	5.8
Maine	0.1	52.8	12.9	0.9	3.4	18.6	1.2	1.3	38.4	0.0	3.4	1.3	1.8
Maryland	6.7	215.0	19.3	1.4	3.0	67.5	0.2	3.8	95.3	14.6	1.6	0.4	6.9
Massachusetts	1.1	444.6	29.9	6.4	2.8	66.4	1.1	3.6	110.2	5.0	0.8	0.2	6.9
Michigan	31.9	844.3	30.0	3.9	10.4	111.5	0.3	13.2	169.2	29.3	1.5	4.8	10.5
Minnesota	15.4	431.3	25.7	5.0	8.6	60.9	0.1	12.4	112.6	12.0	0.8	9.8	7.6
Mississippi	4.9	518.5	20.6	10.5	2.4	40.2	0.5	8.3	82.5	11.7	0.0	0.0	4.2
Missouri	39.5	267.7	32.2	3.2	5.9	74.5	(e)	7.0	122.8	10.4	1.6	1.0	7.4
Montana	10.6	72.7	8.5	1.0	2.2	12.8	0.0	7.1	31.5	0.0	9.9	2.0	1.3
Nebraska	15.7	161.2	19.4	1.1	2.3	21.1	0.0	1.4	45.4	10.3	1.7	3.2	2.0
Nevada	1.8	300.0	8.2	5.3	1.0	27.4	0.0	1.6	43.5	0.0	2.3	0.3	2.8
New Hampshire	0.4	68.7	7.5	0.3	4.5	17.0	0.3	0.9	30.5	9.5	1.3	0.4	1.7
New Jersey	0.9	745.8	29.8	38.9	1.8	96.9	3.7	16.5	187.7	33.3	(e)	(e)	10.1
New Mexico	12.0	250.5	15.8	1.3	1.7	23.3	0.0	3.8	45.9	0.0	0.1	2.1	2.4
New York	1.8	1,354.1	63.0	31.3	8.1	130.1	7.6	10.9	251.0	44.6	26.0	4.0	12.9
North Carolina	16.4	496.6	33.2	3.6	8.9	107.3	0.1	6.0	159.1	42.1	4.7	0.0	9.9
North Dakota	29.5	95.5	18.6	1.1	2.6	11.2	(e)	2.9	36.4	0.0	2.1	6.5	1.2
Ohio	35.2	968.6	52.4	12.5	6.5	121.1	0.4	25.8	218.8	17.4	0.5	1.2	11.4
Oklahoma	16.2	680.4	30.9	8.5	2.6	46.4	0.3	12.4	101.1	0.0	2.7	14.0	4.4
Oregon	1.5	236.3	17.7	4.7	1.5	36.9	0.3	2.6	63.7	0.0	31.3	6.6	3.8
Pennsylvania	39.0	1,284.4	65.4	7.5	12.3	116.6	0.4	25.1	227.4	80.5	2.6	3.4	11.2
Rhode Island	0.0	93.9	5.4	0.7	0.5	9.0	(e)	1.1	16.8	0.0	(e)	(e)	0.9
South Carolina	9.7	274.0	21.2	2.1	2.3	66.9	1.7	6.6	100.8	53.2	2.6	0.0	6.1
South Dakota	1.2	79.0	8.0	0.9	1.5	11.2	(e)	0.9	22.5	0.0	4.9	2.5	1.2
Tennessee	17.1	313.3	29.7	11.9	2.5	77.4	(e)	11.6	133.1	25.0	9.6	(e)	7.3
Texas	87.7	4,127.1	176.4	79.1	501.5	329.4	20.5	228.6	1,335.4	39.7	1.0	44.8	31.4
Utah	15.2	230.8	14.3	6.2	1.0	26.5	(e)	4.8	52.9	0.0	0.8	0.6	2.6
Vermont	0.0	11.9	5.1	0.3	2.6	7.4	(e)	0.9	16.3	0.0	1.1	0.3	0.7
Virginia	9.7	499.3	33.3	11.2	5.7	95.6	1.5	5.3	152.6	28.1	1.2	0.0	9.4
Washington	3.5	308.0	26.1	18.7	3.6	66.4	8.7	18.0	141.5	8.2	73.4	7.1	6.9
West Virginia	29.7	175.7	11.9	0.2	1.0	20.5	0.1	2.7	38.4	0.0	1.4	1.4	1.9
Wisconsin	22.8	457.8	26.0	1.9	8.8	61.8	0.1	7.3	105.8	10.0	2.3	1.6	6.4
Wyoming	27.8	138.7	14.4	0.5	1.0	8.8	0.0	4.7	29.4	0.0	0.9	3.8	0.9
United States	798.1	27,248.6	1,458.3	565.1	895.7	3,350.1	94.7	765.0	7,128.8	797.2	249.1	190.7	332.1

<sup>a</sup> Natural gas as it is consumed; includes supplemental gaseous fuels that are commingled with natural gas.  
<sup>b</sup> Includes kerosene-type jet fuel only; naphtha-type jet fuel is included in "Other Petroleum."  
<sup>c</sup> Liquefied petroleum gases, includes ethane and olefins.  
<sup>d</sup> Motor gasoline as it is consumed; includes fuel ethanol blended into motor gasoline.  
<sup>e</sup> Includes asphalt and road oil, aviation gasoline, kerosene, lubricants, and the 16 other petroleum products as described in the Technical Notes, Section 4, "Other Petroleum Products."  
<sup>1</sup> Conventional hydroelectric power. Does not include pumped-storage hydroelectricity.  
<sup>2</sup> Includes denaturant.  
Where shown, (e) = Value less than 0.05.  
Note: Totals may not equal sum of components due to independent rounding.  
Web Page: All data are available at <http://www.eia.gov/state/seds/seds-data-complete.php>.  
Sources: Data sources, estimation procedures, and assumptions are described in the Technical Notes.

- Section 18(a)(2)(G) – The relative environmental sensitivity and marine productivity of different areas of the outer Continental Shelf.** The environmental sensitivity analysis completed by BOEM provides strong support for an expansive leasing program. Based upon this analysis, the Western and Central Gulf of Mexico ecoregion has the highest environmental sensitivity score, and the region having the highest species and habitat scores. Interestingly enough, this ecoregion is the primary region for offshore oil and natural gas exploration and production activities, with tens of thousands of wells having been drilled. As the DPP states, the environmental sensitivity is one tool used by BOEM to make its decisions regarding OCS resource development. However, given the successful, decades long development of oil and gas resources in the ecoregion with the highest environmental sensitivity score, the

environmental sensitivity analysis helps to demonstrate that the industry is able to operate in all regions, even those with the greatest environmental sensitivity.

- **Section 18(a)(2)(H) – Relevant environmental and predictive information for different areas of the outer Continental Shelf.** BOEM’s robust Environmental Studies Program (“ESP”)<sup>21</sup> has spent more than \$1 billion on research since it began in 1973. In addition, the offshore industry funds extensive research directly and through partnerships with public and private entities. Collectively, this research information provides much of the information needed to fully evaluate potential impacts from BOEM-sanctioned OCS activities and to apply this information to new, prospective areas being considered for leasing.

### C. Leasing Considerations

Predictability and certainty in the leasing program helps companies make the long-term decisions required for offshore development, particularly considering the magnitude of the investment in human and financial resources required for frontier areas. The market will drive investment to the areas that make the most sense for seismic and other exploratory activities, and this broad DPP will effectively allow the market to drive the investment necessary to explore for and identify potential resources for exploration and possible development in new areas. As technology improves and economic conditions change, leases once deemed noncommercial evolve into viable drilling candidates with commercial potential. Because of this evolution, it is important to allow innovative companies the opportunity to pursue new leases in an effort to test innovative geologic ideas and to employ advancements in technology for drilling and production. As a result, the Associations maintain our support for continued use of the current area-wide leasing program in all OCS areas.

As the Department of the Interior considers what areas to include in subsequent stages of the OCS Leasing Program development, one area of consideration the warrants discussion are new offshore leasing opportunities available to private companies in Mexican waters of the Gulf of Mexico. In the three years since Mexico has changed its laws to allow foreign companies to invest and operate offshore, Mexico has been successful in leasing more acreage than is leased in U.S. Gulf of Mexico waters – approximately 17.0 million acres to 14.7 million respectively. During this same time period, BOEM Gulf lease sale activity has been well below historical averages. To further illustrate the imbalance, the most recent Mexican lease sale in January 2018 garnered commitments for an expected \$76 billion in investments and \$525 million in tiebreaker bids versus \$121 million in high bids for the August 2017 U.S. Gulf lease sale. To help make investment in the U.S. Gulf more attractive the Department of the Interior needs to open the Eastern Gulf of Mexico to leasing and work to make existing policies and future lease terms more favorable to investment.

At a minimum, the Department of the Interior should move forward with a process to finalize a leasing program that includes additional leasing opportunities in all areas, with particular focus on the Eastern Gulf of Mexico, the Mid and South Atlantic, Southern California, and the Beaufort and Chukchi Sea areas in Alaska. By taking such an approach, the department

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<sup>21</sup> <https://www.boem.gov/Strategic-Framework-2017/>



would be moving forward consistent with and in support of Section 18(a)(3), which directs the Secretary to select the timing and location of leasing in a manner that balances the potential for environmental damage, the potential for discovery of oil and natural gas, and the potential for adverse impact on the coastal zone. Expanding access into these regions achieves three important objectives for our nation’s energy security as it relates to the timing and location – (1) near-term production opportunities; (2) securing national security goals in the Arctic and diversifying access to a potential vast resource base; and (3) long-term production opportunities:

1. In the Eastern Gulf and Southern California, expanded leasing provides access to an area close to existing infrastructure, workforce and response capacity, and relatively well understood geologic trends and plays, and would give the nation an opportunity to bring additional resources to production at a potentially faster pace.
2. In the Beaufort and Chukchi Seas, BOEM estimates there to be in excess of 20 billion barrels of oil and this would put the nation in a strong position to diversify offshore production and expand production in a strategically important region from a national security standpoint.
3. In the Mid and South Atlantic, expanded leasing would help spur the seismic research and exploratory activity that will help provide important data and put the nation in a strong position from a long-term perspective.

### **III. Comments on Notice of Intent to Prepare a Programmatic Environmental Impact Statement**

The Associations appreciate this opportunity to comment on the scope of the PEIS for the Final 2019-2024 program. The 2019-2024 OCS PEIS will address NEPA requirements by assessing the contribution of BOEM’s activities resulting from these authorizations to the direct, indirect and cumulative effects on species and resources, including effects from past, present, and reasonably foreseeable future events and activities. This will provide BOEM decision-makers and the public an evaluation of the environmental, social, and economic effects of the activities and alternatives being considered for the upcoming years. We also believe that this PEIS pursuant to NEPA will also assist BOEM in carrying out statutory responsibilities related to the agency’s role(s) and responsibilities under other Federal statutes (e.g., assessing and minimizing environmental impacts on marine mammals under the Marine Mammal Protection Act and Endangered Species Act). In addition, we would like to reiterate our views regarding the use of best available science and the importance of instituting high data quality standards.

### **IV. Conclusion**

The Associations appreciate the opportunity to comment on the 2019–2024 Draft Proposed National Oil and Gas Leasing Program. Section 18(a)(1) of the OCSLA provides that “Management of the outer Continental Shelf shall be conducted in a manner that considers the economic, social and environmental values of the renewable and nonrenewable resources contained in the outer Continental Shelf, and the potential impact of oil and gas exploration on other resource values of the outer Continental Shelf and the marine, coastal, and human environments”. The Department of the Interior follows a robust process for taking into consideration these factors, and the DPP provides detailed consideration of the values and

impacts. Continued consideration of these impacts continues throughout the development of the program. Ultimately, these factors, along with statutory, economic and national security considerations, are fully aligned in support of a robust oil and natural gas leasing program that expands exploration and production opportunities to new areas. The Associations fully support all the areas proposed for leasing in the DPP. We look forward to working with BOEM on development of the 2019-2024 National Oil and Gas Leasing Program. Should you have any questions please contact Andy Radford at 202-682-8584 or [radforda@api.org](mailto:radforda@api.org).



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Erik Milito, American Petroleum Institute



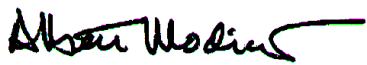
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Jeff Vorberger, National Ocean Industries Association



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Dan Naatz, Independent Petroleum Association of America



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V. Bruce Thompson, American Exploration & Production Council



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Nikki Martin, International Association of Geophysical Contractors



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